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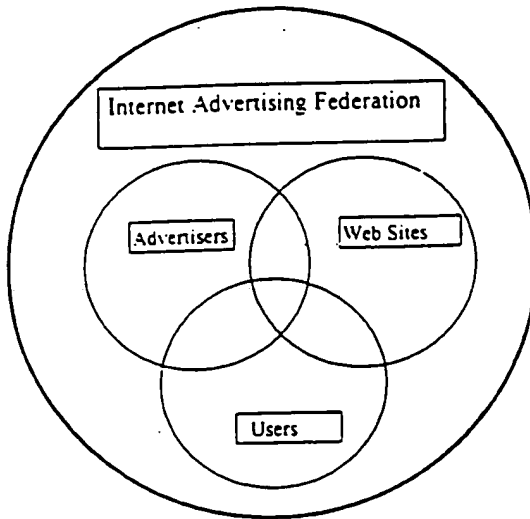
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Internet Advertising Federation
Confidential Business Plan



"The Internet Advertising Federation provides the only highly targeted advertising on the Internet"

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Overview

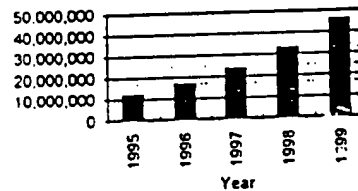
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Internet Market

The Trends

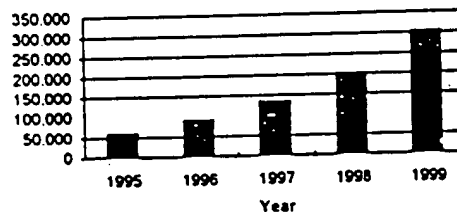
The Internet is world wide phenomenon and offers some of the greatest opportunity in the computer industry. The web has quickly become the number one application on the Internet. According to a MIDS survey in October of 1994, there are 7.8MM *core* Internet users with web capability. This core group includes corporations, universities, and other organizations who have direct TCP/IP access to the Internet. According to Goldman Sachs, approximately 9MM users have access to the Internet through On-line Service Providers (OSPs). Growth rates for the Internet and OSPs range from 40-100% each year. We use 40% growth for our projections.

Web User Projection



By the end of 1994, there were over 30,000 web sites with 1,500 new web sites added to the Internet each week. We expect the growth rate of web sites to be about 50% each year over the next five years.

Web Site Projection



The general consensus is the Internet is real and growth is explosive. If you use the Internet, you know and believe. If you do not currently use the Internet, you need to connect and see the light!

The Problem

The perplexing question of the Internet and specifically the web, is quite simply, "How do you make money?" Without economic incentives much of the Internet will die. We believe there will be four "economic classes" of web servers.

Free information. Organizations will use the Web to replace existing forms of communications like telephone, mail, and BBS systems. The Internet offers an inexpensive means for delivering information and customer services.

Transaction supported. For organizations that takes orders over the Internet, the service is simply a cost of doing business. They also have the opportunity for advertising as well. There are thousands of on-line stores on the Internet today, though early reports indicate that few have been successful.

Subscription-based. Like the on-line world, these are organizations who make their money off user subscriptions. To date, there are very few subscription-based servers mainly due to the lack of technology. Web servers are now becoming available with more sophisticated security mechanisms as well as encryption for taking credit-card payments on-line.

Advertising supported. These services will often be valuable to a user (like a search server or publication) and supported through advertising like traditional paper publications. One nice feature of Internet ads is for the user to immediately acquire more information about the advertised product by simply clicking on the ad. Whether enough consumers actually follow the link or simply ignore the advertisement is not known, though we suspect in many cases, the user will take the link if the ad is relevant.

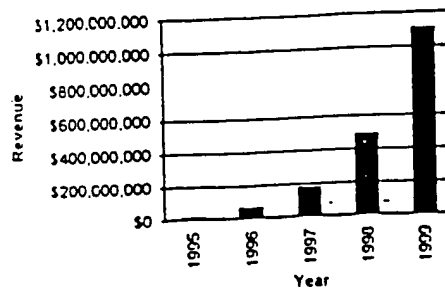
We believe advertising will become a major source of revenue for a large class of web sites. To date, people typically obtain information for free on the Internet. Advertising supports this info-is-free model. The demographics of the Internet are quite impressive. According to a recent Georgia Tech survey, the average income was >\$50,000, the mean age 35 and the vast majority had college degrees. The Internet represents an attractive group for advertisers, to say the least.

However, there are several major problems with the advertising model. There are thousands of small web sites who simply are not capable of attracting advertisers. There are thousands of potential advertisers that are unable to easily locate and audit these small web sites. Only the few, heavily visited sites have been successful in selling ads. Today, advertisers have no mechanism, other than crude site demographics, to target their advertising. In short, too many advertisers, too many web sites, too many users, no ability to target, and too much confusion.

The general price model evolving for Internet advertising is price per *impressions*. An impression is when a web browser retrieves an ad for display. Depending upon the placement of the ad, it has a good probability of being seen by the user. A web site can track the number of impressions, and a number of auditing tools, namely I/PRO are available to accurately count impressions. These same auditing tools also give a very crude analysis of web site demographics. The average price per impressions is typically in the range of 2-3 cents.

Forrester Research estimates companies will spend \$10MM to advertise on the web this year. Forrester predicts advertising revenue to hit \$2.2 billion by the year 2000. Below is our forecast for all Internet-based advertising over the next 5 years, considerably more conservative than Forrester:

**Internet Advertising Revenue at 2-3
Cents per Impression**



	1995	1996	1997	1998	1999
Total web users	12,000,000	16,800,000	23,520,000	32,928,000	46,099,200
Average pages per day	3	5	7	9	11
Percent pages displaying advertising	4%	7%	10%	15%	20%
Average cost per impression	0.02	0.03	0.03	0.03	0.03
Total market revenue	\$10,512,000	\$64,386,000	\$180,280,800	\$486,758,160	\$1,110,529,728

The above projections are largely driven by four variables:

- growth of Internet users
- average number of web pages read per day
- ad cost per impression
- percentage of web pages displaying ads

There is strong consensus on the growth of Internet users. In the Georgia Tech survey, 72% of all respondents use their web browser at least once a day while 41% use their browsers 6 to 10 hours each week. The cost of 2 cents per impression appears to be incredibly cheap and we feel this price will rise with the ability to target users. In addition, we forecasted a conservative percentage of pages with ads, though we feel this number will be considerably higher given the attractiveness to gain revenue through advertising.

We are dealing with enormous numbers that are growing considerably each year. The infrastructure is in place to support advertising. However no vehicle is in place to support such an incredible distribution of advertising. The IAF is that vehicle.

The Solution

The Internet Advertising Federation (IAF) brings *advertisers, web sites, and users* together on the Internet. The IAF facilitates the only highly targeted advertising available on the Internet. We have created the most extensive user and organization profile database on the Internet. When a user accesses a web site that is part of the IAF, we dynamically display the ad that best matches the user's or organization's profile.

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Advertisers are able to create a profile that best matches their target prospect. The IAF server automatically displays their ad to users matching their target prospect profile when they access an IAF web site. This unprecedented system provides advertisers with a very targeted and cost-effective Internet advertising campaign.

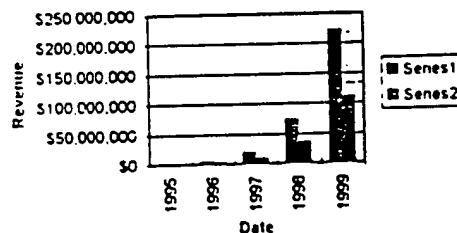
Web sites benefit tremendously from the IAF as well. The IAF automatically and dynamically displays an ad matching an advertiser's target prospect profile when a user accesses an IAF web site. A web site has the potential to immediately start generating revenue the moment they become a member of the IAF. A further benefit to IAF web sites is that a large percentage of the revenue is distributed to IAF members. IAF allows web sites to focus on content development to attract more user rather than trying to drum up ad sales to support their server.

And, even the users benefit. We live in a world where indiscriminate advertising is everywhere. The IAF exposes users to ads that are relative to their interests. This targeted advertising will result in a higher percentage of AdJumps.

We believe the IAF is the missing component required for successful Internet advertising. Through IAF, we can deliver an incredible number of ads to a diverse group of web sites targeted at a very specific target profile. Because of these factors, we believe IAF could secure the leadership position and establish the standard in Internet advertising.

Below, we project our share of the market growing 5% each year with 20% market share by 1999. The first graph bar represents gross revenue to IAF. The second graph bar is the net revenue to IAF, after revenue sharing with the web sites. Since our primary goal is to secure market share, we have a generous revenue-sharing arrangement with web sites. We have assumed a full 50% of the revenue is disbursed to web sites in relation to the number, and price, of ads placed on their particular web site.

IAF Revenue Projections



Positioning

We have two audiences we need to position IAF to: advertisers and web sites. Advertisers are the key customers and will be the most difficult to obtain. For advertisers, the key benefits IAF offers are

- the only highly targeted form of advertising on the Internet
- IAF has a standard mechanism for providing auditing and statistical information
- a single, easy source for Internet advertising

Our positioning statement for advertisers is:

"The Internet Advertising Federation provides the only highly targeted advertising on the Internet"

We feel, in general, we offer a no-lose opportunity for web sites. Even if a web site is already advertising, we provide them with the means of selling unused ad space. There is virtual no effort involved with becoming a member of IAF. For web sites, the key benefits IAF offers are:

- source of revenue
- incredibly easy to participate
- use as a supplement to existing advertising, or remnant ad space
- high revenue sharing

Ironically, the largest problem with IAF is its broad market appeal. There is a significant risk of becoming spread out too thin and chasing too many unrelated markets without building a critical mass in any of the markets. Considering the existing demographics of the Internet along with the functionality of the IAF, we believe the following vertical markets, in order of priority, will be our initial targets:

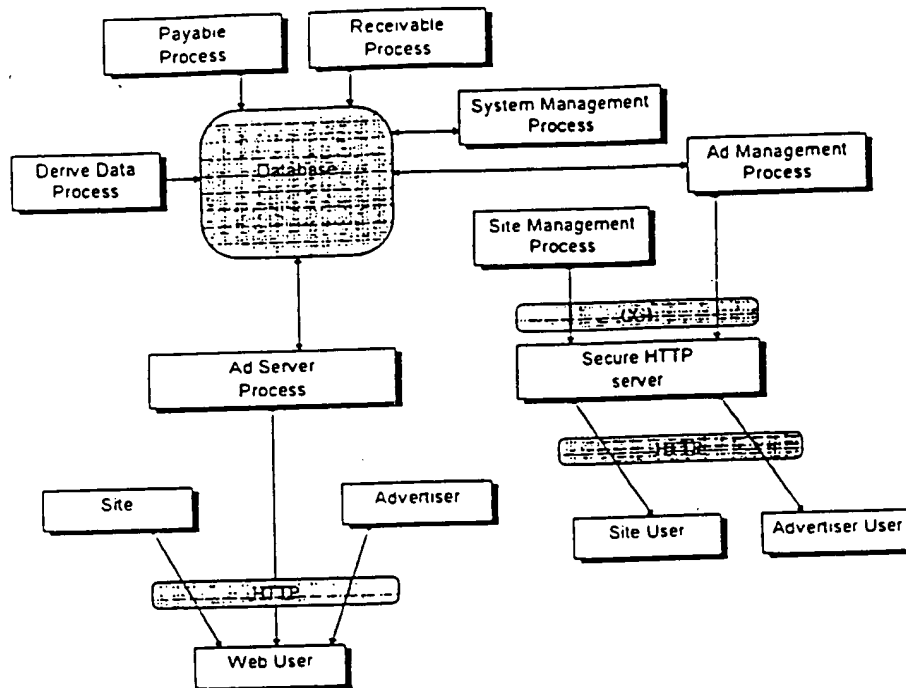
- computer
- web sites
- entertainment
- adult
- travel
- tobacco

Clearly, the computer industry is the early adopters of the Internet and will be our primary target for the first year. In the Georgia Tech survey, 31% of the respondents were in a computer related field. Adult web servers seem to generate an incredible amount of traffic, so these should prove to be prime marketing venues for adult products and services (like 900 numbers and videos). Due to the ability of IAF to target consumers and their location, travel and entertainment advertisers will find IAF attractive. With so many web sites on the Internet, there is an opportunity to actually advertise other web sites like shopping networks and even company sites. The tobacco industry is an interesting possibility with their new restrictions on advertising. Since few laws appear to govern the Internet, this could be a prime advertising vehicle for this industry.

[Note: need to add ad lingo - frequency, reach, exposure, etc...]

Product

The IAF product performs two essential functions: managing the system and ad delivery. Most of the processes depicted in the architecture diagram below are for managing the system to effectively deliver ads to the appropriate target user. Only the Ad Server Process delivers the actual ad to the user and handles Ad Jumps.



IAF Architecture

Following is a description of each of the processes shown above.

Derive Demographics Process (DDP)

Building a comprehensive and accurate user and domain demographics database is fundamental to targeted advertising with IAF. This database we term the Internet Demographics Database (ID-DB). We are able to compile a variety of information about users and entire domains. A domain is typically a network owned by an organization (e.g., company, university, government) or division of an organization (e.g., company subsidiary, department, agency). Like users, domains will develop certain demographics that are vital in targeting ads. In many cases, we can develop demographics about individual users. In other cases, we will fall back to the domain demographics.

We are able to tell an astonishing amount of information about a user. For example, we can determine operating system, location, organization type and name, company demographics, interests and the probability of following an Ad Jump to name a few. We will not detail here how we are able to compile

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the ID-DB since this is a trade secret. Suffice it to say that we use a number of Internet and non-Internet sources of information to develop demographics about users and domains. The Derive Demographics Process is the blackbox that develops the ID-DB. We can compile a very comprehensive initial ID-DB and refine and add additional information as more and more users view IAF ads. The ID-DB becomes more accurate and complete as the IAF becomes more successful over time. The ID-DB continues to create an ever larger barrier to entry for competitors.

Following is a more detailed list of the information we will track for each user and domain:

Variable
Domain name
Domain type:
On-line service (i.e. AOL)
Dial-up ISP (i.e., Netcom)
Commercial
Education and level
Government
Military
Geographic location
Company information:
Revenue
Number of employees
Primary SIC
Secondary SIC
Location
Operating systems
Browser type
IP address
IP address uniqueness
Access times
Frequency
Areas of interest
Duration of page visits
Probability for taking specific types of ad links
Connection throughput average
Ads already seen

User and Domain Profile

Some of the data described above are "fuzzy" data. In many cases, we will know the data exactly, however in others we will either have a high probability of knowing the data or the data might be unknown. For example, most web browsers tell us the type of operating system. However, for users coming in from AOL, we do not know what operating system they are running since the AOL browser does not relay this information. However, since the AOL user base is a typical consumer, they are probably running Windows.

Ad Management Process (AMP)

An advertiser must register their ad campaign with the IAF. They will interactively create a target user profile by selecting specific criteria. To target their ads, advertisers will be able to select criteria from the

Competition

As with any market, there is significant competition and potential competition. Of course, we are competing for advertising dollars in general, however we will only examine the Internet advertising marketplace.

High traffic web sites. There are a number of existing high traffic web sites like Lycos, Playboy, and Yahoo who already have advertisers. These sites each have the ability to place 10 million ads each month and can probably afford to sell to advertisers. In addition, advertisers who want to begin Internet advertising will most likely become aware of these sites and prefer to work with one large site rather than many small sites.

Fortunately, these same sites are also potential customers for IAF, even if they keep their existing advertisers. High traffic web sites can use IAF to sell ad inventory. IAF will target these large sites and make attractive offers to join the IAF. We suspect that none of these sites will be able to afford to replicate the IAF Internet Demographics Database (ID-DB) used in Ad Matching.

On-line Service Providers (OSPs). OSPs, like AOL, Prodigy, MSN and CompuServe already have relationships with many companies, content providers, and advertisers. OSPs will be able to afford to create an ID-DB and combine this with their own membership demographics.

The Internet strategy for the OSPs is very unclear at the moment. It would appear that each is intent on becoming Internet Service Providers (ISPs) as well as supporting content development.

The OSPs could become our biggest marketing opportunity or our greatest competitor.

Publishers and Broadcasters moving to the Internet. Many traditional publishers and broadcasters are moving their content to the Internet. USA Today, the Wall Street Journal, CNN and every television network has a presence on the Internet. They already have strong, existing, relationships with their advertisers to whom they can sell Internet ads.

Fortunately, these same sites are also potential customers for IAF, even if they keep their existing advertisers. Publisher and Broadcasting web sites can use IAF to sell ad inventory. IAF will target these large sites and make attractive offers to join the IAF. We suspect that none of these sites will be able to easily replicate the IAF Internet Demographics Database (ID-DB) used in Ad Matching.

Subscription Services. Just like OSPs, there are a number of subscription services on the Internet. Typically, subscription services are free of advertising. Consequentially, subscription sites cost money to join in order to pay for the web site. Subscription services are a threat to the entire Internet advertising industry. Our belief is that advertising-based web sites will far exceed subscription based sites. Indeed, subscription-based sites could be candidates for IAF advertising.

IAF Copycats. Even as you read this, there could be other IAF-like services on the horizon. Clearly, solving the advertising problem is an attractive problem to solve. To date, we know of no other IAF-like service now or in the future.

To create a competitive system would, most likely, take at least six months. Even though the IAF service is seemingly simple, the back-end technology is quite complex. The creation and maintenance of the ID-DB are critical in performing accurate Ad Matchings. The algorithms involved with the scheduling and

real-time Ad Matching is quite sophisticated. We will protect most of this back-end technology as a trade secret

As in any market, market share is the best defense to competition. If we are first and able to build a critical mass quickly, market leadership is ours to lose.

Below is a detailed feature comparison between the various Internet advertising alternatives:

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	Internet Advertising Federation	High Traffic Sites	On-line Service Providers	Publishing and Broadcasting Sites	Subscription Services	IAF Copycats
First to market with ad service	y					
Internet Demographics Database	y					
Real-time Ad Matching	y					
Ad Estimate and Scheduler	y					
Single source	y	y	y			
Able to control ad distribution	y	y				
Completely automated process	y					
Instant access to ads for web sites	y					
Auditing and statistics for web sites	y					
Easily implement and record ad jumps	y					
Place ads for category of web sites	y					
Instant ad placement	y					
Ad categories (premier, filler)	y					
Existing advertisers		y	y	y		
Existing ad space		y	y	y		
Financially strong			y	y		
Set target profile criteria by:						
web browser	y					
operating system	y					
time	y					
date	y					
throughput	y					
IP address	y					
company name	y					
domain type	y					
company primary SIC	y					
company secondary SIC	y					
domain name	y					
company revenue	y					
company # of employees	y					
geographic location	y					
area of interest	y					
likelihood to take jump	y					
ads already viewed	y					
web site demographics	y					

Management

Kevin O'Connor
CEO and President

Kevin O'Connor, 34, formed IAF with Dwight Merriman, 27, in September of 1995. During the previous seven months, Kevin invested and assisted in two other start-ups in the Internet and publishing market. In addition to working with start-ups, Kevin has been actively researching the Internet market.

During the past 13 years, Kevin pioneered new concepts and introduced many new products in a number of software markets. In 1983, Kevin successfully co-founded a software company, ICC, which grew to a run-rate of \$35MM in revenue. While at ICC, Kevin created numerous communication products to address PC connectivity to Unisys mainframes. In 1991, Kevin pioneered the remote LAN market with the creation of Remote LAN Node (RLN). In 1992, ICC was sold to DCA, a \$250MM local Atlanta company.

During 1992 to 1995, as Vice President of Research and Chief Technology Officer, Kevin helped transform DCA into a market innovator and leader. Kevin was one of the original creators of the innovative groupware product, OpenMind. During 1994, DCA effectively doubled their market value by implementing their strategy in becoming the leader in enterprise-wide communications software. In the beginning of 1995, DCA merged with Attachmate to form the 5th largest PC software company in the world.

Kevin received his BSEE degree, with honors, from the University of Michigan, Ann Arbor, in 1983.

Dwight Merriman
Vice President, Research and Development

Fill in significant projects you worked on

Dwight received his BS in Systems Analysis, with honors, from Miami University of Ohio

Financial

Following is a proposed budget and revenue forecast for the next 16 months.

Exit Strategy

We believe we are at the early stages of the Internet market and in the innovator stage of the Internet advertising market. Our goal is to become one of the market leaders in this emerging Internet advertising markets. We will work towards making the company either an attractive acquisition target or perform an IPO within the next three to four years.

Trying to predict P/E in this nascent is impossible. Early Internet companies like ISPs (Lunet, PSI and Netcom) and NetScape were able to raise tremendous amounts of money with small sales and little, and more often no, profit.

[insert graph of P/E ranges based on financial projections]

Risks

In this section, we identify the major risks to IAF. We rate each threat according to risk and probability of occurring.

Competition. Even though the implementation of IAF will be considerable, others can replicate our work in as little as 6-12 months. We, currently, do not believe the product is patentable thus we are relying on trade secrets to keep the barrier a bit higher.

As discussed in the pricing section, the cost to deliver an ad, at maximum efficiency, is only .02 cents per ad. This could force the Internet ads to become a commodity.

Risk: Medium
Probability: High

Internet ads go bust. Internet advertising is new and not proven. We do not believe this to be the case. The ability to target and measure who sees your ad is just too compelling.

Risk: High
Probability: Low

Ad filter. Somebody could quite conceivably create either a web browser or a web browser add-on to filter out all advertising. I doubt if the major web browser manufacturers would do such a thing since they, typically, also make web server software which ad-based web sites buy. A more likely scenario would be for somebody to write a winsock dll that sits between any web browser any tcp/ip stack. This dll would simply filter out HTTP requests to all services like IAF.

It is important that ads do not become annoying to users or they would be willing to insert such a filter on their PC. In any case, only a small percentage of people would ever run such a filter.

There are two ways to defeat such an add-on. The first would be to correlate a web site log with our own ad log for the site. We could detect users not requesting ads and simply prohibit them from future web site access. Another method, which requires testing, is to secure all ad pages (using SSL technology now common in web browsers and servers) so the filter would be unable to tamper with the encrypted page.

Risk: Low

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Probability: High

Caching. Some OSPs, proxy servers, and web browsers cache web pages to reduce traffic demands and speed access. Caching simply stores a web page locally so when either the same user or another user (in the case of an OSP or proxy server) accesses the same page, the page is retrieved locally rather than fetching it again over the network again. What started as a kind gesture towards the net presents a bit of a problem for impression based advertising since a single impression might be viewed by many users.

There are three solutions to this problem. We can "expire" a web page to force the cache to reload the page on subsequent accesses. We do not know, currently, how many OSPs and proxy servers will honor this command.

The second solution involves getting "hit" rates from the OSPs. As the IAF representing a large number of web sites, we need to take the leadership role in obtaining this information. The OSPs will, most likely, favor working with a single organization rather than potentially thousands of individual web sites. Proxy servers should not be a major issue (today at least) since most organizations only use inbound, rather than outbound, proxy servers.

The third solution brings into question the legality of caching systems. Is caching legal? Probably not, since caching a copyrighted page deprives the owner of economic value.

Risk: Low
Probability: Medium

Privacy. Today, users can access a web server anonymously and they know it. With the IAF, a user is not so anonymous. Even though the IAF may not know who the user is by name, the user could become unsettled when an ad follows him around or seems to know she is running a Unix system in San Francisco for a paper manufacturer! It will be feasible, over time, to definitively track a large percentage of individuals and learn their likes and dislikes.

In order to minimize the privacy issue, the IAF will keep all user information confidential. Advertisers and web sites will only have access to anonymous demographic information. We will make sure users are aware of this.

Risk: Low
Probability: Medium

Schedule and Milestones

Future

Fortunately, there is additional functionality we can add to IAF as well as additional markets where we can expand with IAF. This section briefly describes some potential IAF futures.

Self-advertising web sites. A large group of very active web sites is owned by companies that use the web to replace existing forms of communications like telephone, mail, and BBS systems. The Internet offers an inexpensive means for delivering information and customer services. We believe these organizations, who might already be advertisers with IAF, could benefit from IAF by advertising *their*

own products to users that access *their* site. For example, when a user running Windows 3.1 accesses the Microsoft site, perhaps a Windows 95 ad could be displayed.

We can sell this same service to web shopping sites. When a prospect enters the server, the IAF can tell them about the special they are running that matches their demographics. This is a very powerful service for the web site.

International company demographics. Our initial focus is on the US, though in the future we will obtain similar demographics on non-US companies as we have on US companies.

User surveys. Sponsor contests to encourage users to fill out a profile about themselves. Of course, we will only target users whom we can uniquely identify but are lacking information!

Consumer Demographics. Once we identify a user and have information like telephone and/or address we can obtain detailed demographic information from any number of consumer research groups.

Universal Bingo Card. We can offer advertisers a universal bingo card for sending users additional information. Once we have the information, users would no longer need to fill out a bingo card when requesting information. We can charge a small fee for the lead as well as continue to build our ID-DB.

Variations of ads. An advertiser could produce a number of similar ads that could be linked to specific information like country or throughput. So, for example, Coke could display Japanese ads from all users originating from Japan or animated ads for all users attached to the Internet on a high-speed network.

Multiple ad placements. We will want to offer various types of ads (placement and size) at different prices. For example, a top banner ad would be more expensive than a bottom banner ad.

Fraud detector. Eventually, some web site will create a program to connect to their site and inflate their advertising revenue. We will be able to detect this type of fraud fairly easily by examining the log files.

Fault tolerance. We will need the system to be available 24x7x365 with minimal downtime. We will have a hot-backup of the system, though there are other measures we can take to ensure fault tolerance.

International expansion. There is no reason we could not establish IAF servers and sales offices in countries around the world. In fact, there is no reason, other than efficiency, why the current IAF system could not process international ads.

user and domain profile described above as well as the web site profile described below. The AMP will forecast the number of likely impressions (based on historical data) and cost per week. The advertiser can also control which web sites are allowed to display their ad. Advertisers will be able to set an upper bound on impressions, so they will never exceed the cost estimate. If the ad campaign runs out and was not able to deliver the specified number of impressions, IAF will pro rate the cost of the ad campaign.

The ad estimate part of AMP is no trivial task. We will be dealing with millions of records of historical data, a large set of criteria, and some of the data is fuzzy. We will need to be able to make a highly probable estimation within 5-10 seconds of a request.

We will track information for each ad placed on the IAF. Specifically, we will track

Variables
Category of ad
Allowed sites
Ad Jumps taken
Ads viewed by site
Ads viewed by user/domain
Price per ad

Ad Variables

Web Site Management Process (WSMP)

Web sites must first register with the IAF. We need to profile the web site to better match ads and to enable the web site to control the types of ads displayed at their site. The web site will specify which URLs are to contain ads. We will automatically go and retrieve their HTML pages, make the minor addition to display IAF ads, and email the results back to their web site. When the web site activates those modified pages, they begin to benefit from the IAF placed ads.

The IAF will track statistics for each site, specifically:

Variables
Aggregate of user variables
Content Category
Metrics versus other sites
Ads displayed
Page stats (per URL)
bits
date
time
duration
Number of visits
Duration of visit
Allowed advertisers
Regional/local interest

Web Site Variables

Ad Server Process (ASP)

The ASP is the "heart" of the IAF system. This is the real-time process matching millions of ad requests with the appropriate target user. The ASP is essentially a stripped down HTTP server that is highly tuned to quickly match ads and log transactions.

There is never unused ad space. If no *target* ad matches the user profile, we try to place a remnant ad. Remnant ads are lower cost ads that are less specific about the intended target (hence, the term remnant). If there are no remnant ads we will then either place an IAF web site ad or an IAF ad. This results in maximum revenue capability for IAF web sites and provides them, and the IAF, with free advertising for unused ad slots.

The ASP is also responsible for tracking and performing Ad Jumps. Ad Jumps are when users select the displayed ad for additional information. ASP must track which users received which ads and from which web site. Ad Jumps are one of the most attractive parts of web advertising and keeping detailed statistics are essential.

System Management Process (SysMP)

IAF personnel run SysMP to perform systems management functions. These management functions include enabling ads, site approval and database maintenance.

Payable and Receivable Processes (PRCs)

Both of these processes are non-critical to the functioning of IAF. Initially, we will perform these functions manually until resources are available to implement these processes.

Resources

In order to implement and manage the IAF product described above, we will hire one additional senior software developer as well as a system operations person over the next 2-4 months.

Placement

The majority of IAF employees will be primarily in sales and marketing. The technology we are developing is completely scalable and our best barrier to entry will be market share. Our concern is with selling to two customers: advertisers and web sites. For advertisers, we envision selling direct initially and then through specialized VARs who currently sell advertising to a specific vertical industry. VARs might include existing publishers, brokers or direct marketing organizations. We will use a direct sales and telesales to focus on ad agencies and advertisers. Our initial focus for the first year will be on the computer industry. Over time, we will organize the sales force along vertical industry lines.

We will primarily use telemarketing to acquire web sites. Becoming a member of the IAF is completely automated, so we suspect many web sites will simply become familiar with the service and subscribe directly through our own web site.

Resources

We need an excellent vice president of sales who will become a significant shareholder in IAF. Recruiting this person will be a top priority during the next three months. Over the first year, this person

will hire a sales person in both San Francisco and Boston where most of the computer industry and related publications are located. We will also hire two telesales people to focus on web site acquisition as well as advertising sales.

Promotion

A strong promotional campaign is key to our success. The Internet is hot and everyone wants to talk about, so we should be able to garner much attention and interest. Initially, public relations will play a large role in announcing our existence to the world. We will initially target advertising executive publications like Ad Age and Ad Week. We will also target computer publications to attract both advertisers as well as web sites in the computer industry. Along with PR, we will advertise in a number of advertising and computer publications.

Of course, IAF advertising will be a primary marketing vehicle. We want the world of advertisers and web sites to know about the power of the IAF. Initially, we will target large web sites to join the IAF by attracting them with IAF-based advertising.

Direct mail to both prospective advertisers and web sites will be important to gain mind share. We will develop a brochure for additional information requests generated by the direct mail and the IAF web page.

[Note: need more]

Pricing

IAF benefits everybody. We believe the incredible benefits the IAF brings will allow us to command a premium price per impression from advertisers. Even with a higher price of 4 cents per impression, advertisers benefit tremendously with a 33% less expensive impression per targeted user.

Advertising Comparison	Pre-IAF	IAF
Price per impression	0.02	0.04
Target market effectiveness	25%	75%
Price per impression/target market	0.08	0.05
Maximum price per impression		0.06
Advertising savings/target market		33%

For *target market effectiveness*, we assume that only 25% of all advertising is reaching the intended target market. We will be able to more accurately measure this variable, by examining user profile criteria, once we build an active database.

Maximum price per impression is an apples-to-apples price comparison between the pre-IAF and IAF advertising. In other words, we could charge a maximum of 6 cents per ad and have the same effectiveness of a 2 cent pre-IAF ad. This is dependent on the accuracy of our *target market effectiveness* assumption.

The IAF benefits web sites by reducing, or even eliminating their sales and marketing overhead as well as increasing their advertising impressions. We can help both large and small web sites equally well double revenue.

Web Site Advertising Comparison	Pre-IAF	IAF
Price per impression	0.02	0.04
Sales and advertising expense	25%	0
Percent of capacity	50%	75%
Revenue to site per impression	0.0075	0.015
Minimum revenue sharing to web sit.		0.25
Web site sales increase		100%

For *percentage of capacity*, we assume, based on experience, that most advertising sites are no where near 100% advertising capacity. The *minimum revenue sharing to web site* is the minimum revenue sharing percent we would need to give to be equivalent to the pre-IAF situation.

An interesting calculation is the minimum cost of delivering an ad at maximum capacity. An ad costs an astounding .028 cents to deliver:

Ad Delivery Expense at Maximum Efficiency	
Size of ad in bytes	8,000
T1 speed in bits	1,400,000
Annual T1 cost	\$60,000
Bandwidth efficiency	75%
IAF server cost spread over 3 years	\$6,667
Maximum ads per second	16.4
Peak to average ratio	2.2
Maximum average of ads per second	7.5
Cost (in cents) per ad	0.028

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